

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

SUBCOMMITTEE ON SALES TAX

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 9, 1999 at 11:25 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Bob Depratu, Chairman (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Others Present: Sen. Alvin Ellis Jr.
Gordon Morris, Montana Association of Counties
Judy Paynter, Department of Revenue
Jeff Miller, Department of Revenue
Jerry Leonard, Department of Revenue

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Bills Discussed: SB 135, SB143, SB 157

DISCUSSION ON SB 157

SEN. DEPRATU said that the subcommittee must get through **SB 157** and move on to **SB 135** as soon as possible because the Taxation Committee will be hearing the other sales tax bills on Monday, March 15. He said it will not be possible to go through those other two sets of bills in a section-by-section manner as we have this one, and the subcommittee has been given the deadline of

Friday, March 19. He said it is his feeling that the best way to handle it would be to have the Department of Revenue give the subcommittee a synopsis of what the income projections from each is, what the tax relief is, and any major differences, so the subcommittee will have a good understanding of what the Sprague bill does and then they can see what is different and what they might want to pull from any one of the bills to make recommendations from. He asked if that could be provided by March 17, 1999, and **Ms. Paynter** said a pretty high-level comparison could be provided by that time.

SEN. GLASER said he had talked to **Mr. Bohyer** and had been told that they were prepared to come to the committee on Monday at any time to discuss the differences between the bills.

Sections 141, 142, 143 and 144:

SEN. DEPRATU said these are all sections on which **Terry Johnson** will check the ratcheting features.

Sections 145, 146, 147, 148, no changes.

Sections 149, 150 and 153:

Mr. Morris said he would recommend an amendment changing the effective date from January 1, 2000, to July 1, 2000, making it effective as of the beginning of the fiscal year. **Mr. Heiman** referred the committee to 1-2-201, which says, "Every statute providing for the taxation of or imposition of a fee on motor vehicles takes effect on the first day of January following passage and approval unless a different time is prescribed in the enacting legislation." After some discussion of the dates and the ramifications of the conflict with **SB 260**, it was decided that it should be left January 1, and if **SB 260** should die and this should pass, it can be worked out at a later time.

Sections 151 and 152, no changes.

Section 153, Disposition of taxes:

Mr. Morris said that on page 133, line 9, 7% should actually be 9%, and he recommended amending that. He said 9% of the 1.5% vehicle fee equals 7% of the 2.5% vehicle fee, and that is why a change needs to be made.

SEN. STANG asked where the money currently goes for vehicle taxes and what percentages, and **Mr. Morris** said that currently the money is distributed across the tax matrix pursuant to the mill levies. He said that with that in mind, this bill is proposing

to eliminate the 95 mills, the six mills, the retirement levy, and reduce it down and reallocate what would be non-levy revenue in the 20% amount back to the General Fund to make up for the lost non-levy revenue relative to those mills. He also added that it means that there will be more money for the local government portion than currently, but that is being traded off on the exchange of what will be gotten in the way of reimbursement money.

SEN. STANG then asked if the 80% in the relative proportions required by the levies for state assumption of public assistance, counties, school and municipal purposes in the same manner as property taxes are distributed, if that is as property taxes are distributed now, or as they shift from year to year, and **Mr. Morris** said it is as they shift from year to year and in relative proportion to what is the tax matrix, which will consist of local levies primarily because the state levies will be gone.

SEN. STANG asked if any figuring had been done to see how this 80% is going to affect different counties, or if they are affected in exactly the same proportion as they are now, and **Mr. Morris** answered that it is his belief that the 80% will represent more dollars in each county to be distributed to what would then be the reduced tax matrix. **SEN. STANG** asked, then, if we were assuming there will be no losers in this bill, and **Mr. Morris** said that was correct. **SEN. STANG** asked if figures had been run to prove that, and **Mr. Morris** said he had figures to show it.

SEN. ELLIS asked if **SB 260** becomes law, is it then appropriate, if we want to continue to apply this to motor vehicles, that we put a new figure in here, and **Mr. Morris** said that you could accommodate it by virtue of changing the 20%, eliminating any percent going to the state in exchange for the lower rate. **SEN. DEPRATU** then asked under **SB 260**, if a person paid \$100 for a license plate, about where would this fall, and **Mr. Morris** said that **SB 260** is at 1.4%, and this bill is at 1.5%, so it will be about the same. **SEN. ELLIS** asked if we got rid of the 20%, how many dollars would be involved, and **Mr. Morris** said \$12.5 million.

Sections 154 and 155, no changes.

Sections 156, Foreign vehicles used in gainful occupation to be registered - reciprocity:

SEN. STANG asked if a person brings a foreign vehicle into Montana from Oregon, which has no sales tax, for temporary employment, they are not required to pay the sales tax in

Montana, and **Mr. Morris** said they would not have to pay the sales tax. They are required to license and pay the fee in lieu of and taxes, but not sales tax. **SEN. STANG** said he felt that the phrase "and the taxes" would refer to the sales tax because they are already paying the vehicle taxes which you would currently pay, so "and the taxes" is new language which evidently refers to the sales tax. **Mr. Morris** said that could very well be eliminated. **SEN. DEPRATU** said that should probably be eliminated and asked **Mr. Heiman** to check into that.

Sections 157, 158, 159, 160, no changes.

Sections 161 and 162:

These are both sections which **Mr. Johnson** will check.

Section 163, 164, 165 and 166, no changes.

Section 167:

Mr. Johnson will check this one also.

Sections 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180 and 181, no changes.

ADJOURNMENT

Adjournment: 12:10 P.M.

SEN. BOB DEPRATU, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas53bad)